

OPEN MEETING
ORIGINAL MEMORANDUM



0000118654

TO: THE COMMISSION

RECEIVED

FROM: Utilities Division

2010 OCT -6 P 2: 26

DATE: October 5, 2010

DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES, LLC DBA JOHNSON UTILITIES COMPANY FOR AN INCREASE IN ITS WATER AND WASTEWATER RATES – PROPOSED AMOUNT FOR CAGR D ADJUSTOR FEES (DOCKET NO. WS-02987A-08-0180)

Introduction

On September 23, 2010, pursuant to Decision No. 71854 (August 25, 2010), Johnson Utilities, LLC dba Johnson Utilities Company ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR D") adjustor fees for the Phoenix and Pinal Active Management Areas ("AMAs").

Decision No. 71854 authorized the Company to implement a CAGR D adjustor mechanism, subject to the conditions proposed by Staff. Those conditions require the Company to submit for Commission consideration a new tariff with its proposed fee calculation and supporting documentation prior to the fee becoming effective.¹ Accordingly, the Company made the instant filing.

Background

The CAGR D was established by the Arizona legislature to serve as a groundwater replenishment entity for its members and provides a mechanism for designated water supply providers such as Johnson to demonstrate a 100-year water supply. Members pay the CAGR D to replenish any groundwater pumped by the member that exceeds the specified pumping limits. The CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

On August 25, 2010, the Commission issued Decision No. 71854 which, among other things, authorized Johnson to implement a CAGR D adjustor mechanism to recover its CAGR D expenses, subject to the conditions proposed by Staff. The authorized adjustor mechanism provides for recovery of the Company's CAGR D expenses as a per thousand gallon charge applied to each customer's bill based on that customers consumption of groundwater.

¹Dec. No. 71854 at 38:10-39:3 and 73:25-27.

Arizona Corporation Commission
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OCT 6 2010

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Condition No. 7 ordered that “by August 25th of each year, beginning in 2010, the Company shall submit for Commission consideration its proposed CAGRDR adjustor fees for the Phoenix and Pinal AMAs, along with the calculations and documentation from the relevant state agencies to support the data used in the calculations.”² Condition No. 7 further ordered that the “Commission-approved fees shall become effective on the following October 1st.”³

On September 23, 2010, the Company filed its proposed calculations for the initial adjustor fees for its customers within the two AMAs. The Company is requesting a rate of \$0.68 per thousand gallons for customers in the Phoenix AMA and a rate of \$0.25 per thousand gallons for customers in the Pinal AMA.

Calculation of the CAGRDR Adjustor Fees

Condition No. 6 ordered that the adjustor fees be calculated as follows: “The total CAGRDR fees for the most current year in the Phoenix AMA shall be divided by the gallons sold in that year to determine a CAGRDR fee per 1,000 gallons. Similarly, the total CAGRDR fees for the most current year in the Pinal AMA shall be divided by the gallons sold in that year to determine a CAGRDR fee per 1,000 gallons.”⁴

Phoenix AMA

The CAGRDR invoice to Johnson for the 2009 annual replenishment assessment for the Phoenix AMA indicates total fees due of \$1,637,956 (4,601 acre-feet of excess groundwater times the current rate of \$356 per acre-foot). Schedule F-1 of the Company’s 2009 annual report filed with the Arizona Department of Water Resources (“ADWR”) indicates total deliveries of 7347.14 acre-feet, or 2,394,073 thousand gallons (7347 acre-feet times 325,851 gallons per acre-foot divided by 1,000). Staff’s calculation of the CAGRDR adjustor fee is shown below. The fee for a customer in the Phoenix AMA is \$0.68 per 1,000 gallons.

A	Total CAGRDR Fees	\$ 1,637,956
B	Total Gallons Sold (1,000s)	2,394,073
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.68

² *Id.* at 38:26-39:1. In Decision No. 71910 Order Nunc Pro Tunc and Extension of Deadlines (issued September 28, 2010), the Commission approved an extension of the deadline for filing the Company’s proposed new CAGRDR adjustor fees and supporting documentation from August 25, 2010, to September 23, 2010.

³ *Id.* at 39:2-3.

⁴ *Id.* at 38:22-25.

Pinal AMA

The CAGR D invoice to Johnson for the 2009 annual replenishment assessment for the Pinal AMA indicates total fees due of \$58,320 (180 acre-feet of excess groundwater times the current rate of \$324 per acre-foot). Schedule F-1 of the Company's 2009 annual report filed with ADWR indicates total production of 783 acre-feet, or 255,141 thousand gallons (783 acre-feet times 325,851 gallons per acre-foot divided by 1,000). Staff's calculation of the CAGR D adjustor fee is shown below. The fee for a customer in the Pinal AMA is \$0.23 per 1,000 gallons.

A	Total CAGR D Fees	\$ 58,320
B	Total Gallons Sold (1,000s)	2,394,073
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.23

Customer Complaints

Staff has received a customer complaint that Johnson has charged the CAGR D adjustor retroactively to June 2010. Consistent with Decision No. 71854, Staff believes the surcharge should become effective October 1, 2010, rather than June 2010.

Staff Conclusions and Recommendations

Staff concludes that the Company has duly filed the appropriate request to implement the CAGR D adjustor fees as required by Decision No. 71854.

Staff concludes that authorization of the CAGR D adjustor fees is appropriate.

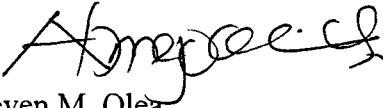
Staff recommends approval of the CAGR D adjustor fees as described herein.

Staff recommends that the Company file, within 7 days of a Decision in this matter, a CAGR D adjustor fee tariff consistent with the rates approved herein.

Staff recommends that the Company notify its customers of the CAGR D adjustor fee tariff approved herein within 30 days from the effective date of the Decision.

Staff recommends that the CAGR D adjustor fees authorized herein become effective for all billings after October 1, 2010.

Staff recommends that, to the extent that Johnson Utilities, LLC dba Johnson Utilities Company has charged fees associated with the adjustor retroactive to the implementation of its new rates, Johnson Utilities, LLC dba Johnson Utilities Company be ordered to refund those amounts either through a direct refund or as a credit on customer bills.

for 
Steven M. Olea
Director
Utilities Division

SMO:NLS:lhmr\RM

ORIGINATOR: Nancy Scott

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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES
Chairman
GARY PIERCE
Commissioner
PAUL NEWMAN
Commissioner
SANDRA D. KENNEDY
Commissioner
BOB STUMP
Commissioner

IN THE MATTER OF THE APPLICATION)
OF JOHNSON UTILITIES LLC DBA)
JOHNSON UTILITIES COMPANY FOR AN)
INCREASE IN ITS WATER AND)
WASTEWATER RATES)
_____)

DOCKET NO. WS-02987A-08-0180
DECISION NO. _____
ORDER

Open Meeting
October 19-20, 2010
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

A. Introduction

1. On September 23, 2010, pursuant to Decision No. 71854 (August 25, 2010), Johnson Utilities LLC dba Johnson Utilities Company ("Johnson" or "Company") filed with the Arizona Corporation Commission ("Commission") the Company's proposed Central Arizona Groundwater Replenishment District ("CAGR") adjustor fees for the Phoenix and Pinal Active Management Areas ("AMAs").

2. Decision No. 71854 authorized the Company to implement a CAGR adjustor mechanism, subject to the conditions proposed by Staff.

3. The conditions approved in Decision No. 71854 require the Company to submit for Commission consideration a new tariff with its proposed fee calculation and supporting documentation prior to the fee becoming effective.¹

¹ Dec. No. 71854 at 38:10-39:3 and 73:25-27.

4. Pursuant to Decision No. 71854, the Company made the instant filing.

B. Background

5. The CAGR D was established by the Arizona legislature to serve as a groundwater replenishment entity for its members and provides a mechanism for designated water supply providers such as Johnson to demonstrate a 100-year water supply.

6. Members pay the CAGR D to replenish any groundwater pumped by the member that exceeds the specified pumping limits.

7. The CAGR D is recognized as an important tool in Arizona's groundwater conservation efforts.

8. On August 25, 2010, the Commission issued Decision No. 71854 which, among other things, authorized Johnson to implement a CAGR D adjustor mechanism to recover its CAGR D expenses, subject to the conditions proposed by Staff.

9. The authorized adjustor mechanism provides for recovery of the Company's CAGR D expenses as a per thousand gallon charge applied to each customer's bill based on that customer's consumption of groundwater.

10. Condition No. 7 ordered that "by August 25th of each year, beginning in 2010, the Company shall submit for Commission consideration its proposed CAGR D adjustor fees for the Phoenix and Pinal AMAs, along with the calculations and documentation from the relevant state agencies to support the data used in the calculations."²

11. Condition No. 7 further ordered that the "Commission-approved fees shall become effective on the following October 1st."³

12. On September 23, 2010, the Company filed its proposed calculations for the initial adjustor fees for its customers within the two AMAs. The Company is requesting a rate of \$0.68

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² Dec. 71854 at 38:26-39:1. In Decision No. 71910 Order Nunc Pro Tunc and Extension of Deadlines (issued September 28, 2010), the Commission approved an extension of the deadline for filing the Company's proposed new CAGR D adjustor fees and supporting documentation from August 25, 2010, to September 23, 2010.

³ *Id.* at 39:2-3.

per thousand gallons for customers in the Phoenix AMA and a rate of \$0.25 per thousand gallons for customers in the Pinal AMA.

C. Calculation of the CAGR D Adjustor Fees

13. Condition No. 6 ordered that the adjustor fees be calculated as follows: "The total CAGR D fees for the most current year in the Phoenix AMA shall be divided by the gallons sold in that year to determine a CAGR D fee per 1,000 gallons. Similarly, the total CAGR D fees for the most current year in the Pinal AMA shall be divided by the gallons sold in that year to determine a CAGR D fee per 1,000 gallons."⁴

Phoenix AMA

14. The CAGR D invoice to Johnson for the 2009 annual replenishment assessment for the Phoenix AMA indicates total fees due of \$1,637,956 (4,601 acre-feet of excess groundwater times the current rate of \$356 per acre-foot).

15. Schedule F-1 of the Company's 2009 annual report filed with the Arizona Department of Water Resources ("ADWR") indicates total deliveries of 7347.14 acre-feet, or 2,394,073 thousand gallons (7347 acre-feet times 325,851 gallons per acre-foot divided by 1,000).

16. Staff's calculation of the CAGR D adjustor fee is shown below. The fee for a customer in the Phoenix AMA is \$0.68 per 1,000 gallons.

A	Total CAGR D Fees	\$ 1,637,956
B	Total Gallons Sold (1,000s)	2,394,073
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.68

Pinal AMA

17. The CAGR D invoice to Johnson for the 2009 annual replenishment assessment for the Pinal AMA indicates total fees due of \$58,320 (180 acre-feet of excess groundwater times the current rate of \$324 per acre-foot).

⁴ *Id.* at 38:22-25.

18. Schedule F-1 of the Company's 2009 annual report filed with ADWR indicates total production of 783 acre-feet, or 255,141 thousand gallons (783 acre-feet times 325,851 gallons per acre-foot divided by 1,000).

19. Staff's calculation of the CAGR D adjustor fee is shown below. The fee for a customer in the Pinal AMA is \$0.23 per 1,000 gallons.

A	Total CAGR D Fees	\$ 58,320
B	Total Gallons Sold (1,000s)	2,394,073
C	Charge per 1,000 gallons (A ÷ B)	\$ 0.23

D. Customer Complaints

20. Staff has received a customer complaint that Johnson has charged the CAGR D adjustor retroactively to June 2010. Consistent with Decision No. 71854, Staff believes that the surcharge should become effective October 1, 2010, rather than June 2010.

21. We find that Staff's conclusions and recommendations are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. The Company is a public water service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. 40-250 and 40-252.

2. The Commission has jurisdiction over the Company and the subject matter of the application.

3. Approval of the proposed CAGR D adjustor fees is consistent with the Commission's authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

4. It is in the public interest to approve the Company's request for implementation of the CAGR D adjustor fees as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that the application by Johnson Utilities, LLC dba Johnson Utilities Company for the implementation of CAGR D adjustor fees is approved for all customer billings subsequent to October 1, 2010.

IT IS FURTHER ORDERED that the CAGR D adjustor fees for Johnson Utilities, LLC dba Johnson Utilities Company shall be in accordance with the rates as discussed herein.

IT IS FURTHER ORDERED that Johnson Utilities, LLC dba Johnson Utilities Company docket with the Commission as a compliance matter, within 7 days of the effective date of this Decision, a CAGR D adjustor fee tariff consistent with the rates approved herein.

IT IS FURTHER ORDERED that Johnson Utilities LLC dba Johnson Utilities Company shall notify its customers of the CAGR D adjustor fees approved herein within 30 days of the effective date of this Decision.

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1 IT IS FURTHER ORDERED that, to the extent that Johnson Utilities, LLC dba Johnson
2 Utilities Company has charged fees associated with the adjustor retroactive to the implementation
3 of its new rates, Johnson Utilities, LLC dba Johnson Utilities Company be ordered to refund those
4 amounts either through a direct refund or as a credit on customer bills.

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6
7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

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9 _____
CHAIRMAN

COMMISSIONER

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12 COMMISSIONER

COMMISSIONER

COMMISSIONER

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14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of
17 this Commission to be affixed at the Capitol, in the City of
18 Phoenix, this _____ day of _____, 2010.

19 _____
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

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21 DISSENT: _____

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23 DISSENT: _____

24 SMO:NLS:lh\RM
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1 SERVICE LIST FOR: Johnson Utilities LLC dba Johnson Utilities Company,
2 DOCKET NO. WS-02987A-08-0180

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